

PUBLIC-PRIVATE PARTNERSHIPS

Take the Private Car

Facing tight budgets, transportation agencies are turning to private companies to design, build, finance, operate and maintain new projects.

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When it comes to infrastructure projects, my agency and others like it often face tight budgets, short timeframes and a skeptical public. Federal transportation dollars remain at a premium, so new and creative strategies are needed to fund, procure and operate projects of all scopes and sizes. One of these is the public-private partnership.

In a typical public-private partnership,

a public agency hires a private company or companies to design and build—and sometimes to finance, operate and maintain—one or more aspects of a public infrastructure project. And while they have been relatively slow to catch on in the transportation sector, public-private partnerships are gaining in popularity around the country, particularly in highway building and urban infrastructure projects. That's because, while there are risks involved in any project, these part-

nerships offer a range of potential benefits to public and private parties alike.

PAST PARTNERSHIP SUCCESSES

At RTD, we have experienced these benefits firsthand. Private companies operate nearly 50 percent of RTD's bus service, providing significant cost savings to riders and taxpayers. Another successful partnership was the T-REX Transportation Expansion Project, a \$1.67 billion venture that included 17 miles of highway improvements, 13 new light-rail stations and 40 miles of commuter rail track.

In the traditional contracting model, the public agency must manage several contractors. When a problem arises, contractors

project was completed on budget, 22 months ahead of schedule.

PRIVATE FINANCING FOR COST SAVINGS

A second advantage to public-private partnerships is the potential for cost savings. In the traditional model, the public agency must finance a large upfront payment to contractors and then shoulder operating expenses. When the private partner agrees to finance the project (as well as design and build), construction and operating costs can be effectively amortized over 30 years or more, improving cash flow.

RTD has launched FasTracks, a \$6.2 billion, 12-year program to expand rail and bus service throughout its eight-county service

financing through sources such as private equity or bank loans. Their compensation, in part, rests on their success in devising the most cost-effective bid package.

NAVIGATING THE HURDLES

Public-private partnerships present a host of new challenges to overcome if they are to fulfill their potential. By their nature, the number of stakeholders involved in these partnerships is large—not only federal, state and local funders, but also the public, advocacy groups and now private partners including contractors, lenders and investors. Therefore, public and private partners must strive for transparency and efficiency. Public participation is important, and a vigorous



will sometimes blame each other. The agency is forced to wade into the conflict, which requires time and money. But when a single organization takes responsibility for all aspects of both design and construction, the line of responsibility is clear.

T-REX employed the design-build partnership model, which means it utilized a single contractor to oversee both design and construction of the project. Project guidelines held contractors accountable for minimizing traffic disruptions. As a result, the program kept all existing lanes open during peak traveling periods and even created additional capacity during portions of the construction schedule. Nevertheless, the

area. Two of the commuter-rail corridor projects that are part of the FasTracks program have been selected by the U.S. Department of Transportation for participation in a pilot program, known as Penta-P, to evaluate the benefits of public-private partnerships for federally funded transit projects.

For the Penta-P portion of the project we have hired Goldman Sachs and JP Morgan as advisers to take advantage of the financial experience found in the private sector. These advisers will assist us in finding a single concessionaire to handle design, construction, finance, operation and maintenance for both of these commuter-rail corridors. They will also investigate ways of obtaining

education plan can help all parties feel they have a stake in the project's final outcome.

It's also useful for each side to recognize that the other is powered by different motives and faces different constraints. For example, public agencies may have to cope with funding limits, labor rules or procurement rules unknown in the private sector. Private parties must demonstrate a substantial ROI. Hence, communication is important for each side to understand the other's mind-set and ultimately for the successful planning and execution of the project. **CT**

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